



General Assembly

Substitute Bill No. 5209

February Session, 2010

* ____HB05209CE____031710____ *

AN ACT CONCERNING SMALL BUSINESS TAX CREDITS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage and applicable to income or*
2 *taxable years, as appropriate, commencing on or after January 1, 2010*) (a) As
3 used in this section:

4 (1) "Commissioner" means the Commissioner of Economic and
5 Community Development;

6 (2) "Income year" means the income year or taxable year, as
7 determined under chapter 207, 208 or 229 of the general statutes, as the
8 case may be;

9 (3) "Qualified small business" means an employer, subject to tax
10 under chapter 207, 208 or 229 of the general statutes, who employs
11 fewer than twenty-five employees in Connecticut on the date of its
12 application under subsection (c) of this section;

13 (4) "New employee" means a person hired after the effective date of
14 this act, by the qualified small business during its income years
15 commencing on or after January 1, 2010, and prior to January 1, 2013,
16 to fill a new full-time job in this state. A new employee does not
17 include a person who was employed in Connecticut by a related
18 person with respect to the qualified small business during the twelve

19 months prior to such hiring, or any person who was employed by the
20 qualified small business in any position on the effective date of this
21 section;

22 (5) "Full-time job" means a job in which an employee is required to
23 work at least thirty-five or more hours per week. A full-time job does
24 not include a temporary or seasonal job;

25 (6) "Related person" means (A) a corporation, limited liability
26 company, partnership, association or trust controlled by the qualified
27 small business, (B) an individual, corporation, limited liability
28 company, partnership, association or trust that is in control of the
29 qualified small business, (C) a corporation, limited liability company,
30 partnership, association or trust controlled by an individual,
31 corporation, limited liability company, partnership, association or trust
32 that is in control of the qualified small business, or (D) a member of the
33 same controlled group as the qualified small business; and

34 (7) "Control", with respect to a corporation, means ownership,
35 directly or indirectly, of stock possessing fifty per cent or more of the
36 total combined voting power of all classes of the stock of such
37 corporation entitled to vote. "Control", with respect to a trust, means
38 ownership, directly or indirectly, of fifty per cent or more of the
39 beneficial interest in the principal or income of such trust. The
40 ownership of stock in a corporation, of a capital or profits interest in a
41 partnership, limited liability company or association, or of a beneficial
42 interest in a trust shall be determined in accordance with the rules for
43 constructive ownership of stock provided in Section 267(c) of the
44 Internal Revenue Code of 1986, or any subsequent corresponding
45 internal revenue code of the United States, as amended from time to
46 time, other than Paragraph (3) of said Section 267(c).

47 (b) (1) There is established a qualified small business job creation tax
48 credit program for qualified small businesses, whereby a qualified
49 small business that employs a new employee in a new full-time job
50 may be allowed a tax credit against the tax imposed under chapter 207,

51 208 or 229 of the general statutes, other than the liability imposed by
52 section 12-707 of the general statutes.

53 (2) The tax credit shall be in an amount equal to two hundred eight
54 dollars per month for each new employee hired.

55 (3) For each of the two successive income years after the new
56 employee is hired, the tax credit shall be in an amount equal to two
57 hundred eight dollars per month for such new employee, provided
58 such new employee is employed for a full income year.

59 (4) No tax credit shall be allowed for any new employee hired by a
60 qualified small business in any income year commencing on or after
61 January 1, 2014.

62 (5) The total amount of the tax credit shall be claimed for the income
63 year in which the qualified small business hires a new employee and, if
64 eligible, the two immediately succeeding income years. Any tax credit
65 not used in an income year shall expire.

66 (c) To be eligible to claim the tax credit, a qualified small business
67 shall apply to the commissioner in accordance with the provisions of
68 this subsection before hiring each new employee. The application shall
69 be on a form provided by the commissioner and shall contain
70 sufficient information as required by the commissioner, including the
71 activities that the qualified small business primarily engages in, the
72 North American Industrial Classification System code of the qualified
73 small business, the number of full-time employees employed by the
74 qualified small business as of the application date, and position or job
75 title of the new employee to be hired.

76 (d) (1) Upon receipt of an application, the commissioner shall render
77 a decision on the application, in writing, not later than thirty days after
78 the date of its receipt by the commissioner. If the commissioner
79 approves the application of the qualified small business, the
80 commissioner shall issue a certification letter indicating that the tax
81 credit shall be available to be claimed by the qualified small business if

82 the qualified small business otherwise meets the requirements of this
83 section.

84 (2) The total amount of tax credits granted under this section and
85 under section 12-217ii of the general statutes, as amended by this act,
86 shall not exceed ten million dollars in any one fiscal year.

87 (3) No qualified small business claiming the tax credit under this
88 section, with respect to a new employee, may claim any other credit
89 against any tax under any other provision of the general statutes, with
90 respect to the same new employee.

91 (e) If the qualified small business is an S corporation or an entity
92 treated as a partnership for federal income tax purposes, the tax credit
93 may be claimed on a pro rata basis by the shareholders or partners of
94 the qualified small business based on percentage of ownership. If the
95 qualified small business is a single member limited liability company
96 that is disregarded as an entity separate from its owner, the tax credit
97 may be claimed by the limited liability company's owner. No credit
98 allowed under this section shall exceed the amount of tax imposed by
99 chapter 229 of the general statutes.

100 (f) The commissioner shall monthly provide to the Commissioner of
101 Revenue Services a list detailing all tax credits that have been
102 approved and all qualified small businesses that have been issued a
103 certification letter under subsection (d) of this section.

104 Sec. 2. Subdivision (2) of subsection (e) of section 12-217ii of the
105 general statutes is repealed and the following is substituted in lieu
106 thereof (*Effective from passage and applicable to income years commencing*
107 *on or after January 1, 2010*):

108 (2) The total amount of credits granted to all taxpayers under this
109 section and section 1 of this act shall not exceed ten million dollars in
110 any one fiscal year.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to income or taxable years, as appropriate, commencing on or after January 1, 2010</i>	New section
Sec. 2	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-217ii(e)(2)

Statement of Legislative Commissioners:

In section 1(b)(1), "the tax" was changed to "the liability" for accuracy; in section 1(d)(3), "other" was added after "claim any" for accuracy; and section 1(e) and (f) were combined and (g) was relettered accordingly for clarity and accuracy.

CE *Joint Favorable Subst.*